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OO RUEHCHI RUEHDT RUEHHM RUEHNH
DE RUEHGO #0780/01 3340442
ZNR UUUUU ZZH
O 300442Z NOV 09
FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9640
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 2453
RUEHBY/AMEMBASSY CANBERRA 2345
RUEHKA/AMEMBASSY DHAKA 5327
RUEHLO/AMEMBASSY LONDON 2285
RUEHNE/AMEMBASSY NEW DELHI 5839
RUEHUL/AMEMBASSY SEOUL 9403
RUEHKO/AMEMBASSY TOKYO 7024
RUEHCN/AMCONSUL CHENGDU 1915
RUEHCHI/AMCONSUL CHIANG MAI 2364
RUEHCI/AMCONSUL KOLKATA 0754
RHHMUNA/CDR USPACOM HONOLULU HI
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 2773
RUEHGV/USMISSION GENEVA 4715
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEAIIA/CIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC

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SIPDIS

STATE FOR EAP/MLS, INR/EAP,
DEPT PASS TO USDA,
PACOM FOR FPA,
TREASURY FOR OASIA, OFAC

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [PINR](#) [BM](#)

SUBJECT: BURMA: DOLLAR LOSING GROUND AGAINST THE KYAT

REF: REFTEL: RANGOON 657

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Summary

11. (SBU) The last seven weeks have seen a decrease in the U.S. dollar's value against the Burmese kyat. Even accounting for traditional dry season increases, the kyat has appreciated more than in recent years. Factors may include a stagnant local economy with weak demand for imported products, increased GOB foreign currency reserves due to strong natural gas sales, and a rebounding tourism industry. The dollar's drop primarily affects the segment of Rangoon's middle class that earns salaries working for foreign embassies, foreign companies, and INGOs, plus those migrant workers remitting salaries from overseas. End Summary.
Dollar Dropping

12. (SBU) Burma's exchange rate regime is complex, with an official exchange rate, a semi-official exchange rate, a secondary Burmese currency in the form of 'Foreign Exchange Certificates,' which are ostensibly pegged to the dollar but trade at their own rate, and the unofficial exchange rate. The official exchange rate of K6=\$1 is widely ignored. Over the last six weeks, the dollar has lost ground against the kyat (K) as measured by the prevailing unofficial exchange rate, used by the majority of people. In early October, when the new K5,000 note was released (reftel), Rangoon's unofficial money changers traded Burmese currency at about K1,200 per dollar. The rate dipped to a six-year low of K970 per dollar November 18, and stands at approximately K990 (November 24), with rumors the dollar rate is headed lower.

13. (SBU) Burma traditionally experiences seasonal fluctuations in the unofficial rate. Explanations include an

increased demand for kyat during Burma's November-February tourist season and an increased supply of dollars resulting from fall opium harvests and subsequent sales of raw opium. However, this year's dollar dip appears more pronounced. At this time last year, the dollar was worth K1,270.
Possible Explanations for the Dip

¶4. A knowledgeable Burmese economist suggested a possible reason for the more dramatic decline in the dollar's value versus the kyat this year is increasing sales of natural gas, bolstering the GOB's foreign exchange reserves. The economist, several businesspeople, and a currency dealer all agreed that another likely cause for the dollar's drop is the ongoing general stagnation of Burma's economy; importers are bringing relatively few goods into the country and hence have a lower demand for dollars. Yet another factor may be the recent uptick in tourist arrivals. Following the September 2007 crackdown on protestors, May 2008's Cyclone Nargis, and the worldwide economic recession, the Burmese tourism sector suffered over the previous two years. Quoting an upsurge in prior bookings, our contacts believe this season will be much stronger. One industry source told us arrivals are up 40-50 percent and this season may match 2006, the previous high-point of tourism in Burma. In an environment where credit cards are not an option, an influx of tourists bearing dollars can quickly impact a currency market where domestic demand for greenbacks is weak.
Who Suffers?

¶5. (SBU) Burmese staff at foreign embassies, INGO workers, and some foreign company employees are paid in dollars via accounts at the Myanmar Foreign Trade Bank. These workers have seen purchasing power erode by almost 20 percent in less

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than two months; and the inflation security of dollar salaries may now be overshadowed by a fluctuating exchange rate. The considerable number of Burmese who depend on foreign remittances to make ends meet now are also being affected, as are Burmese who hold their savings in dollars (a popular practice among those with the means, even though possessing foreign currency without a license is illegal).
VAJDA